

UTILITIES SERVICE BOARD MEETING

September 17, 2007

Utilities Service Board meetings are recorded electronically or stenographically and are available during regular business hours in the office of the Director of Utilities.

Board President Swafford called the regular meeting of the Utilities Service Board to order at 5:04 p.m. The meeting was held in the Utilities Service Board room at the City of Bloomington Utilities Department Administrative Building in Bloomington, Indiana.

Board members present: Tom Swafford, Tim Henke, Pedro Roman, Jeff Ehman, John Whitehart and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Vickie Renfrow, Phil Peden, Tom Staley, Michael Horstman, Susan Clark, Mike Hicks, Jane Fleig and Mike Bengtson. Others present: Sarah Morin representing the Herald Times, Mark Menefee representing Indiana University, Margaret Fette representing the Libertarian Party, Ben Beard representing Gentry Estates and Sue Mayer.

MINUTES

Board member Ehman moved and Board member Henke seconded the motion to approve the minutes of the September 3rd meeting. Motion carried. 4 Ayes. 3 members absent, (Banach, Roberts and Whitehart).

CLAIMS

Board member Ehman moved and Board member Henke seconded the motion to approve the claims as follows:

Claims 0791292 through 0791436 including \$133,897.02 from the Water Operations & Maintenance fund, \$2,489.49 from the Water Construction fund and \$100.00 for water hydrant meter rental for a total of \$136,486.51 from the Water Utility; Claims 0730816 through 0730870 including \$111,973.45 from the Wastewater Operations & Maintenance fund and \$11,645.04 from the Wastewater Construction fund for a total of \$123,618.49 from the Wastewater Utility; and claim 0770102 through claim 0770107 for a total of \$7,923.21 from the Wastewater/Stormwater Utility. Total claims approved – \$268,028.21.

Board member Ehman asked about the claim for Endress and Houser, Inc. for the calibration of flow meters. He wanted to know if these were the meters for the Wet Weather Program. Assistant Director of Engineering Bengtson said that it was not those pumps. Deputy Director Langley noted that the pumps in question are located at Blucher Poole. He said that he would find out what the situation was and notify the USB by email.

Mr. Ehman then asked about an AT&T bill for service that seemed unusually high. He wondered if a lot of work had been done. Mr. Langley explained that it is the main telephone line for Utilities.

Finally Mr. Ehman asked about the claim for Baugh for the Willing Water door hangers. He wondered what they were. Director Murphy said that it is the hanger that is put on customer's doors when they have issues with billing such as an unusually high bill, or when there are issues about the timeliness of payment.

Board President Swafford asked about the claim for BBC Pump equipment for the Smith Avenue lift station. He said that it seems that there are frequent problems with that lift station. Superintendent of

Operations Staley said that lift station has been a problem. An electrical problem made it necessary to completely rebuild that station.

Motion carried. 4 ayes. 3 members absent, (Banach, Roberts and Whitehart).

RESOLUTION TO EXTEND CONTRACT WITH IRWIN UNION:

Assistant Director of Finance Horstman reminded the USB that on October 3rd of 2005 the USB along with the City of Bloomington entered into a banking services contract with Irwin Union Bank. He said that this arrangement has been satisfactory. The bank's staff has been very responsive and helpful. Mr. Horstman recommended that the USB extend the contract with Irwin Union for another two years.

Board member Ehman moved and board member Henke seconded the motion to approve the extension of the contract with Irwin Union.

Board member Henke said that he hadn't really approved of changing to Irwin Union in the first place. It wasn't because he has had anything other than good service from them. He wanted to know what the impact had been for USB customers. They used to be able to drop off their payments at any of Monroe Bank's many locations whereas Irwin Union only has one location. Mr. Horstman said that since he has been employed by Utilities he hasn't had any complaints about methods of making payments. He said that the drop boxes are heavily utilized. Mr. Henke said he was particularly concerned about senior citizens who might find it more difficult to make payments now. Mr. Horstman said that he hasn't heard anything.

Motion carried. 5 Ayes. 2 members absent, (Banach and Roberts).

APPROVAL OF CONTRACT FOR A ROAD BORE ON WEST S.R. 48:

Utilities' Engineer Fleig explained that this is similar to the request for a road bore that was brought forward 2 meetings ago. It is for the same project, the Fieldstone Lift Station Regionalization Project. There were 3 proposed road crossings, one was at Curry Pike which the USB approved previously, and this one is just west of Daniel's Way. Ms. Fleig said some rock excavation and soundings were done in the road which showed that rock would be a problem. Because of this boring would not be a good option. Last Tuesday the Transmission and Distribution Department sent a crew to do an open road cut. Because S.R. 48 can't be closed the crew had to flag traffic. They worked all day Tuesday, through the night and during Wednesday. There was a lot of rock that needed to be removed. As they were hammering on the rock the sides of the trench started to collapse. Ultimately the situation seemed too dangerous so they filled the trench with flowable fill. Because of this safety issue they are now recommending that it be bored. All the rock that was going to make a bore problematic has been removed. The bore has become necessary because the banks can't be stabilized. The trench was 17' deep.

Ms. Fleig said she didn't yet have a formal quote from Snedegar Construction. They did give a verbal price of \$235 per foot just before the meeting. She asked that the USB approve that Utilities enter into a contract to have Snedegar do the bore. There is a time crunch because of the necessity to keep the Utility work ahead of the INDOT highway work.

Ex-officio board member Mayer asked what the distance of the bore would be. Ms. Fleig replied that it would be 110 feet. She reminded the USB that this project is necessary because of the INDOT highway project. There is an agreement with INDOT that these are somewhat reimbursable expenses.

Board President Swafford asked if it was certain that the bore would not go through rock which would cause a higher price. Ms. Fleig said that enough of the rock had been removed so the bore would go completely through flowable fill.

Board member Roman asked if this was a change order. Engineer Fleig said that most of the installation for this project has been done in-house. Every once in a while when a situation like this is encountered it becomes necessary to hire someone else to do a portion of the project.

Board member Henke moved and board member Roman seconded the motion to approve a contract for a road bore on West S.R. 48. Motion carried. 5 Ayes. 2 members absent, (Banach and Roberts).

OLD BUSINESS:

Utilities Director Murphy asked if the USB would be willing to approve the Interlocal Agreement with the Civil City that was tabled at the last meeting. He said that Budget Analyst Trexler had sent the USB members the departmental allocations for the agreement. For the most part they have not changed significantly since 2004. The allocation for the Common Council is the only one that has gone up significantly. The charges for legal services for PCB work through 2006 were also made available.

Board member Henke moved and board member Whitehart seconded the motion to approve the Interlocal agreement with the City of Bloomington for 2007. Motion carried. 5 Ayes. 2 members absent, (Banach and Roberts).

City Controller Susan Clark informed the USB that the 2008 Interlocal Agreement is under construction. It will be ready as soon as the Department Heads get their allocations to her. The increase for in-lieu-of-taxes will be 3.4%.

NEW BUSINESS:

Board member Henke reported on the Chamber of Commerce Infrastructure Committee that is made up of local professionals and engineers. They brought up 3 issues regarding Phase 3 of the long range water plan that they would like to have more discussion about.

The first issue is the Black & Veatch report is applying 10 State Standards to the filter treatment system which is a non-mechanical medium. They questioned whether those standards should be applied to a non-mechanical system as far as firm capacity is concerned. They wondered what the constraint is that puts the system at 24 mgd. Mr. Henke said he believes this is related to the ability to treat water through the filter media. Firm capacity is related to how much water can be treated with 3 out of the 4 filters. His understanding is that to meet the current firm capacity with 3 filters water has to be run through the filters faster than is recommended. The Infrastructure Committee wondered if that would mean that it is generally O.K. to run water through the filters faster than is approved by the State. There was also some discussion about different filter media. The media has been upgraded once to get a faster flow. This is pertinent because it is much less expensive than a new plant.

Mr. Henke asked Assistant Director of Engineering Bengtson about the fact that if Utilities waits until the average annual flow is higher to take on the capital investments it seems that the incremental costs of selling water would make the last water sold much more profitable. In August a lot of water was sold. The incremental costs would consist of paying for the water and the chemicals. The same staff and the same facilities with the same equipment are being used. Last year the average was 13 mgd and this year it is 15 mgd. with a 24 mgd rating. The Chamber Task Force wondered if it went to an average of 16 mgd how much more would be available in funds to soften the rate increase.

Utilities Director Murphy suggested that it might be a good idea to invite John Skomp of Crowe Chisek to come to a Financial Subcommittee meeting to discuss the financing of this project.

Board President Swafford asked if running the water through the filters faster than is recommended has an impact on the quality of the water.

Assistant Director of Engineering Bengtson explained that it does not impact the water quality but it does cause the filters to require more back washing which wastes more water. Also the filter that is being back washed is taken out of service.

Board member Henke asked if taking a filter out of service for back washing causes the water to go through the other filters more quickly. Mr. Bengtson said that usually the pumping rate is lowered during back washing so the rate of flow remains even.

Ex-officio board member Mayer asked if using this method to increase capacity would cause the cost per gallon of the water to go up. Mr. Bengtson said he didn't have an immediate reply for this but he does know that more frequent back washing causes the valves and automatic actuators to be used more frequently so the maintenance costs go up.

Mr. Henke asked what Mr. Bengtson's opinion was on using the 10 State Standards for a non-mechanical filter system. Mr. Bengtson said that he disagrees that it is a non-mechanical system. There are valves that run the filters and control systems are used. There are components of the system that are mechanical or electrical. All the supplementary activities regarding the filters are mechanical.

SUBCOMMITTEE REPORTS:

There were no meetings of subcommittees.

STAFF REPORTS:

Utilities Director Murphy asked the board for more specific directions for a peer review of the Long Range Water Plan. He said he was originally under the impression that the staff had been asked to arrange a peer review for an unbiased opinion of Phase 2 of the plan. The USB has already committed to Phase 2. In particular, the cost of the engineering services was to be reviewed. After conversations with USB members Mr. Murphy asked that the USB confirm what they are asking for.

Board President Swafford said that his understanding was that the USB had asked for an independent review of Phase 2 to see if their analysis agreed with Black & Veatch's.

Board member Roman said that if they are asked to do that they are being asked to do the analysis themselves. Mr. Swafford agreed.

Mr. Roman said he hadn't been at the last meeting so he had read the minutes carefully. He felt that 2 different issues were being discussed. Board member Henke had asked that there be several bids for each contract for this project. Board member Ehman suggested that a second company do an entire analysis of the whole project to make sure that the standards that Black & Veatch applied are consistent with industry standards. He asked Mr. Ehman if his understanding of that was correct.

Mr. Ehman said that there are 2 things that the USB needs to clarify. He said he wants to have a clear scope for a second opinion. Exactly what is being asked in terms of Phase 2 and Phase 3? The other question is what, if anything, Utilities can proceed on regarding Phase 2.

Board member Henke said he had not understood that the peer review would be only for Phase 2 but he thinks that would be alright. He has not heard any doubts from people about the wisdom of Phase 2. Phase 3 should be given the time needed for members of the community to get more information from Assistant Director of Engineering Bengtson. It may not be necessary to have a peer review of Phase 3. At the least he would like an outside opinion about the cost of Phase 2 to see if it is consistent with industry standards. He would prefer bidding or requests for proposals.

Board President Swafford said that John Skomp with Crowe Chizek would explain the funding of this plan to the USB.

Utilities Director Murphy said that that his understanding was that the cost of the project is the matter of concern. There is a general consensus that Phase 2 should happen. Phase 3 is still in the information gathering and providing stage. He said that the question is not whether it should be done but how it should be done and the cost of it.

Mr. Swafford said that the USB has already approved Phase 2. He confirmed that the issue is the cost and how it will be done.

Board member Roman said that he really wants bids for a \$20 million project. Attorney Renfrow informed him that all the construction aspects must be bid. Mr. Roman said that his concern is the engineering services because the company who is telling the USB how much their services cost is the same company that is advising the USB. He feels that the project is so long term adding several months for a second opinion won't matter.

Utilities Director Murphy agreed that his understanding had been the same. The peer review is the first thing to be done then there can be consideration of requests for proposals.

Board President Swafford said that his understanding is that a peer review of Phase 2 for the cost is what was requested. He asked Utilities Director Murphy to get a couple of proposals to bring to the USB. He asked that the proposals come from people that Utilities does not do business with.

Attorney Renfrow clarified that no one is suggesting not getting proposals or bids. The construction part must be bid out. The design work has to be done first so there is a set of plans and easements must be acquired. That is the initial phase of the engineering work. She suggested that the USB authorize Black & Veatch to do this initial work. When it is done the decision as to whether or not they should go forward with the next phases can be made. It is important that people understand that no one is suggesting that the construction stage not be bid out.

Board member Ehman said that his opinion is that a peer review is needed of the entire plan. Phase 2 has been approved. Getting the peer review of the engineering services of Phase 2 to see if the costs meet the industry standards is the first thing to do. Phase 2 is a part of the overall plan. He would like to see a peer review of the entire plan.

Board President Swafford pointed out that a peer review of the entire plan would be much more expensive. If the peer review of Phase 2 shows that the plan is satisfactory it may not be necessary to get a review of Phase 3.

Mr. Ehman said that everyone agrees that Phase 2 is in the community's best interests. He isn't sure that a peer review is needed for that work given that it is independent of Phase 3. His understanding is that the money that is spent for Phase 2 is not being spent to provide for Phase 3 although it does allow for the possibility. He doesn't believe Phase 2 needs a peer review since the USB has already approved it.

Board member Roman asked if both the phases could be looked at. He sees 2 different issues. One is the price of the engineering services of Phase 2, the other one is board member Ehman's idea to have another set of eyes look at the whole project.

Board member Henke said that his biggest concern about Phase 2 is the price. He is not comfortable spending that much money without another opinion. He thinks a peer review of Phase 3 would be good at some time but right now there is a dialog between Utilities Director Murphy and Utilities staff and the Chamber of Commerce Infrastructure Task Force is going on. They are raising serious questions about Phase 3. As long as it is still being discussed he doesn't see a need to review Phase 3.

Mr. Roman said that his problem is that he is not a member of the Chamber of Commerce so he doesn't know to what extent they represent him and to what extent he has a voice in what they do and how much access he has to their information. If he got a report from a consultant he would be confident about what it says. He asked if he would get a copy of the final report from the Infrastructure Committee of the Chamber of Commerce. Mr. Swafford said that he hopes that the USB will get a copy when it is done. Mr. Henke said that at this time all that is happening is fact finding.

Board member Whitehart said that this is confusing. Phase 2 has been approved. Is the discussion about a peer review of all of Phase 2 or just the engineering service costs? If the USB is abdicating to the Chamber of Commerce over Phase 3 why not ask them to review the costs of Phase 2?

Mr. Henke pointed out that the Chamber committee members are all volunteers. Mr. Whitehart said if the USB is going to ask the Chamber to volunteer to advise them about Phase 3 they should be able to ask them to volunteer to advice on the engineering costs of Phase 2.

Board member Ehman said that the Chamber has raised questions about the cost of Phase 2. They have not commented on the cost but have asked if the numbers make sense. He asked how much in-house expertise there is to determine if the costs meet the industry standards?

Assistant Director of Engineering Bengtson said that the industry standard for design work is usually between 8 and 12 percent of the construction costs. In the Black & Veatch report the construction costs as estimated have a 20% contingency on it. The design work is 15% which is over the industry standard but because the report of costs is very preliminary they had been given instructions to make sure that their estimates cover everything. A scope of work for the engineering design work has not even been initiated. There is no good way to determine what the engineering costs would be. He thinks they will actually be under 10% but they put the figure of 15% in because things are so preliminary at this time. Once a number is given to the public it is very important to not come in over that number. He is comfortable that all the costs have been covered.

Board member Henke said that he would propose that the peer review be of Phase 2 with emphasis on the cost estimates. It would be better to wait on Phase 3 while the dialog continues.

Board member Ehman asked Mr. Bengtson if a scope of work would have to be defined before a peer review could take place. Mr. Bengtson said that it would probably be needed because the 15% in the report would seem high but is only preliminary. A scope of work would define a more accurate figure. He thinks it will be below 15%.

Mr. Ehman pointed out if there were a scope of work it would be possible to issue requests for proposals then the industry standard would be known because bids would be made.

Mr. Swafford asked if it wouldn't be possible for whoever does the peer review to read the Black & Veatch report and analyze the data they have already accumulated.

Utilities Director Murphy said that he expected that the firm that does the peer review would have to consult with the staff. He said that the staff is happy to do whatever the USB wants them to do. The consensus is to go ahead with Phase 2. Much of the staff would like to get started on Phase 3 but they recognize the community dynamics and want to address it in such a way that there is comfort and confidence in what is being done.

Board President Swafford asked the USB if they all agreed that a peer review of Phase 2 is what is being asked for.

Board member Roman said that he would prefer that full report be done, like the one that Black & Veatch did.

Board member Roman moved that there be a peer review of the full report. The motion failed due to the lack of a second to the motion.

Board member Ehman said that Mr. Roman made a good point and in an ideal world there would be a second full report.

Board member Henke said that he would like to see this done in 2 parts. First analyze Phase 2 and postpone a peer review for Phase 3 for the moment. As long as the 2 projects are not connected he would like to get Phase 2 moving forward.

Mr. Ehman asked if the scope of the peer review would be focused on the engineering costs. Mr. Swafford said that both the proposed construction costs and the cost of the engineering design should be considered.

Utilities Director Murphy confirmed that the firm hired to do the peer review should look at those costs based on the Long Range Water Capital Report Phase 2 as presented in the report written by Black & Veatch with input from the staff for clarification. Board President Swafford directed Mr. Murphy to bring back a minimum of 2 proposals for the USB to consider. They will decide whether or not they will fund it based on those proposals.

Board member Whikehart asked if his understanding that Utilities staff and Board member Henke are meeting with the Chamber Task Force is correct. He had an inquiry from the Chamber about meeting with them individually. Mr. Henke said that they wanted to meet with USB members to discuss the procedures that will take place. They want to meet individually to avoid having a quorum that would require a public meeting notice. Mr. Whikehart reminded everyone that the Chamber of Commerce is a special interest group.

Mr. Ehman said that to the extent that they can bring substantive questions to the discussion it is valuable to have them be a part of it.

Attorney Renfrow reminded the USB members that if they are in a situation where more than one of them is invited to a meeting there must be a notice that the meeting is taking place.

Ex-officio board member Mayer asked what the procedure would be for the notice. Ms. Renfrow said that the board members being invited to a meeting would need to let Utilities Director Murphy know about it so the staff can take care of the public notice.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 6:10 p.m.

L. Thomas Swafford, President